WORKPLACE SAFETY AND INSURANCE BOARD

2009 Second Quarter Report to Stakeholders

For the Quarter Ended
June 30, 2009

Workplace Safety & Insurance Board
Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

ROAD TO ZERO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's discussion and analysis (MD&A) commentary relates to the end of the second quarter 2009. This unaudited quarterly report is prepared in accordance with Canadian generally accepted accounting principles (GAAP). The MD&A should be read in conjunction with the audited consolidated financial statements.

The information in the MD&A necessarily includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates, and projections regarding future events based on the information currently available, involving assumptions, inherent risks, and uncertainties. Readers are cautioned that actual results in the future may differ materially from projections in cases where future events and circumstances do not occur as expected.

Investment Administration and Reporting

Effective January 1, 2009, the WSIB implemented asset pooling as part of its investment administration. Under asset pooling, the investment assets of the WSIB and the WSIB Employees' Pension Plan are pooled with each fund's ownership interest represented by units held in the pools.

Asset pooling improves the efficiency and flexibility of investment fund operations and asset allocation. Asset pooling allows for improved investment operations of the funds and provides a broader, more diversified choice of investment strategies. Pooled investment structures are often used in both the public and private sectors.

The full amount of the pooled assets are included on the balance sheet and the statement of operations categorized as Investments and offset by the "Employees' Pension Plan interest in pooled investments" in accordance with GAAP.

Financial Results

The costs of running Ontario's workplace safety and insurance system have been impacted by recent increases to benefits and the global financial crisis, which impacts investment returns and premium revenue.

Second quarter 2009 revenues fell short of total benefit costs and other expenses by $281 million, a $119 million improvement when compared with the $400 million shortfall incurred in the second quarter 2008. June 2009 year-to-date revenues fell short of total benefit costs and other expenses by $1,274 million compared with a shortfall of $672 million for the same period in 2008.

During the second quarter 2009 equity markets improved overall investment performance. This strong positive investment performance more than offset the negative investment returns experienced in the first quarter 2009.

These improvements in investment revenues were partially offset by increases in benefit costs in the Loss of Earnings and Health Care benefits categories and decreases in premium revenue.

Unfunded Liability

The unfunded liability stood at $11,966 million at the end June 2009 compared with $11,469 million at the end of 2008. The total comprehensive loss at June 30, 2009 is $497 million compared with a total comprehensive loss of $1,006 million for the same period in 2008.

The funding ratio improved to 53.0 per cent at the end of the second quarter 2009 from 50.4 per cent at the end of the first quarter 2009. The WSIB's funding ratio of 53.0 per cent remains relatively unchanged from December 31, 2008 when it stood at 53.5 per cent.

Investment Revenue

In response to the global financial crisis, governments around the world introduced a number of measures to stimulate the economy. The second quarter provided encouraging news that these monetary and fiscal actions contributed towards preventing further negative financial system impacts.

Note 3 provides investment details. The WSIB's share of investment revenue is $306 million in the second quarter 2009 compared with an investment loss of $127 million for the same period in 2008. June year-to-date 2009 recorded an investment loss of $304 million compared with an investment loss of $175 million one year ago. A strong equity rally that began in March and continued through the second quarter erased the first quarter negative return of 4.3 per cent. As of June 2009 the total fund return was a positive 4.1 per cent.

By the end of the second quarter, investors remained cautious of the lasting impacts of these changes due to inflationary concerns arising from the magnitude of fiscal stimulus, rising unemployment, consumer saving versus spending patterns and slow growth recovery projections.

Premium Revenue

The economic downturn has directly impacted premium revenue as decreased growth and increasing unemployment rates negatively impact assessable payroll. Sectors such as automotive and manufacturing have been greatly impacted and are unlikely to regain their former prominence in Ontario's economy.

As a result, premium revenue was $22 million lower in the second quarter 2009 when it was recorded at $909 million compared with $931 million at the end of the second quarter 2008. Year-to-date premium revenue fell by $75 million to $1,797 million at the end of June 2009 from $1,872 million one year ago.

Benefit Costs

Benefit costs were $1,305 million for the second quarter 2009 compared with $1,078 million for the second quarter 2008. The increase of $227 million is primarily due to an increase in the change in the benefit liabilities. In the second quarter 2009 the benefit liability increased by $343 million compared with $145 million for the second quarter 2008. The second quarter increase relates primarily to changes stemming from an increase in claims inventory, changes in assumptions for the durations of existing Loss of Earnings claims and increases in Loss of Earnings benefit payments forecast to be higher throughout 2009. Also driving the change in the benefit liability is the increase in health benefit payments forecast to be higher throughout 2009.

Loss of Earnings and health care benefit payments also increased in the second quarter 2009 compared with the second quarter 2008.

Outlook

The WSIB's financial results continue to be impacted by recent increases to benefits and the current global financial crisis impacting both investment returns and premium revenue. The financial crisis is unprecedented in its magnitude and complexity resulting in a significant degree of uncertainty and rapidly changing conditions. Economists continue to debate the timing and strength of the recovery. The degree of volatility and uncertainty means economic conditions and forecasts can change quickly and must be updated regularly.

In response, in the short-term, the WSIB has initiated a dialogue with stakeholders through the Chair's consultations on issues and possible responses. In addition, the WSIB has initiated an efficiency and effectiveness review to control costs and improve program delivery, and set 2010 premium rates to minimize cost impacts on the majority of Ontario employers. In the longer term the WSIB is preparing for adverse conditions through scenario planning and identifying possible strategies to address extreme economic conditions.

During the second quarter 2009 financial markets showed improvements which, if sustained, will lead to corresponding reduction in the unfunded liability. The WSIB is doing all that it can in these difficult times to maintain the financial sustainability of the system, while being fair to the workers and employers who rely on it.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

WORKPLACE SAFETY AND INSURANCE BOARD

CONSOLIDATED BALANCE SHEET (unaudited)

($ millions)	June 30, 2009	Dec. 31, 2008
ASSETS		
Cash and cash equivalents	$28	$141
Receivables	1,004	877
Investments (note 3)	13,735	11,987
Property, equipment and other assets	118	120
Intangible assets (note 5)	96	82
	$14,981	**$13,207**
LIABILITIES		
Payables and accruals	1,007	853
Long-term debt	88	91
Loss of Retirement Income Fund	949	890
Employee benefit plans	498	502
Benefit liabilities	22,912	22,340
	25,454	**24,676**
Employees' Pension Plan interest in pooled investments (note 3)	1,493	-
UNFUNDED LIABILITY		
Accumulated excess of expenses over revenues	(13,191)	(11,917)
Accumulated other comprehensive income	1,225	448
	(11,966)	**(11,469)**
	$14,981	**$13,207**

CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)

	For the three months ended June 30		For the six months ended June 30	
($ millions)	**2009**	**2008**	**2009**	**2008**
GROSS REVENUE	$1,250	$804	$1,453	$1,698
CURRENT OPERATIONS				
REVENUES				
Premiums for the period	650	680	1,285	1,365
Investments (note 3)	341	(127)	(345)	(175)
Other income	-	-	1	1
	991	**553**	**941**	**1,191**
EXPENSES				
Benefit costs	1,305	1,078	2,480	2,121
Loss of Retirement Income Fund	87	19	74	37
Administrative and other expenses	52	53	106	105
Legislated obligations and commitments	52	54	108	107
	1,496	**1,204**	**2,768**	**2,370**
Excess of expenses over revenues from current operations	**(505)**	**(651)**	**(1,827)**	**(1,179)**
Premiums for unfunded liability	259	251	512	507
EXCESS OF EXPENSES OVER REVENUES BEFORE EMPLOYEES' PENSION PLAN INTEREST IN POOLED INVESTMENTS	**(246)**	**(400)**	**(1,315)**	**(672)**
Employees' Pension Plan interest in pooled investments (note 3)	(35)	**-**	41	**-**
EXCESS OF EXPENSES OVER REVENUES	**$(281)**	**$(400)**	**$(1,274)**	**$(672)**

CONSOLIDATED STATEMENT OF CHANGES IN UNFUNDED LIABILITY (unaudited)

($ millions)	**June 30, 2009**	**Dec. 31, 2008**
ACCUMULATED EXCESS OF EXPENSES OVER REVENUES		
Balance at beginning of period	$(11,917)	$(9,501)
Excess of expenses over revenues	(1,274)	(2,416)
Balance at end of period	**(13,191)**	**(11,917)**
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	448	1,407
Unrealized and realized gains (losses) on investments	777	(959)
Balance at end of period	**1,225**	**448**
UNFUNDED LIABILITY AT END OF PERIOD	**$(11,966)**	**$(11,469)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	For the three months ended June 30		For the six months ended June 30	
($ millions)	**2009**	**2008**	**2009**	**2008**
EXCESS OF EXPENSES OVER REVENUES	**$(281)**	**$(400)**	**$(1,274)**	**$(672)**
Other comprehensive income (loss):				
Unrealized net losses on available-for-sale financial assets arising during the period	886	(250)	233	(724)
Realized (gains) losses included in income	(108)	241	644	390
Unrealized and realized gains (losses) on investments	778	(9)	877	(334)
Employees' Pension Plan interest in pooled investments	(83)	-	(100)	-
Unrealized and realized gains (losses) on investments after Employees' Pension Plan interest in pooled investments	695	(9)	777	(334)
COMPREHENSIVE INCOME (LOSS)	**$414**	**$(409)**	**$(497)**	**$(1,006)**

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

	For the three months ended June 30		For the six months ended June 30	
($ millions)	**2009**	**2008**	**2009**	**2008**
OPERATING CASH FLOWS				
Cash received from:				
Premiums for the period	$632	$702	$1,318	$1,395
Premiums for unfunded liability	251	261	528	518
Investment income	159	185	228	277
	1,042	1,148	2,074	2,190
Cash paid to:				
Claimants, survivors and care providers	(883)	(855)	(1,749)	(1,673)
Loss of Retirement Income Fund	(19)	(19)	(34)	(35)
Employees and suppliers for administrative goods and services	(129)	(127)	(309)	(274)
Legislated obligations and commitments	(58)	(31)	(105)	(95)
	(1,089)	(1,032)	(2,197)	(2,077)
Net cash provided (required) by operating activities	**(47)**	**116**	**(123)**	**113**
INVESTING CASH FLOWS				
Sale of investments	6,499	4,979	12,154	10,031
Purchase of investments	(6,448)	(5,069)	(12,144)	(10,161)
Net cash required by investing activities	**51**	**(90)**	**10**	**(130)**
Increase (decrease) in cash and cash equivalents	**4**	**26**	**(113)**	**(17)**
Cash and cash equivalents, beginning of period	24	146	141	189
Cash and cash equivalents, end of period	**$28**	**$172**	**$28**	**$172**

1. GENERAL

In accordance with the provisions of the *Workplace Safety and Insurance Act* the accounts of the Workplace Safety and Insurance Board (WSIB) are audited annually at its December 31 year-end and the annual report is filed with the Ministry of Labour. The unaudited financial statements presented here are in accordance with CICA accounting standard on "Interim Financial Statements" (CICA Handbook Section 1751). The statements follow the same accounting policies and methods as the most recent annual financial statements. These statements should be read in conjunction with the WSIB's Annual Report.

The results of operations for interim periods are not necessarily indicative of full year results.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the Schedule 1 and Schedule 2 accounts of the WSIB and its subsidiaries. These financial statements have been prepared in accordance with generally accepted accounting principles, except that these unaudited financial statements do not include all of the disclosures required for annual financial statements. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. The significant accounting policies followed in the preparation of these interim consolidated financial statements are consistent with those found in the Annual Report.

Basis of consolidation

Subsidiaries are those entities where the WSIB exercises control through ownership of the majority of voting shares in subsidiary companies. WSIB investments are held in pooled fund trusts. The WSIB has exclusive power and control of the pooled fund trusts through separate trusts agreements. All of the assets, liabilities, revenues and expenses of WSIB's subsidiaries and pooled trusts are included in the consolidated financial statements. The Employees' Pension Plan maintains an economic interest for its share of total investment assets.

The WSIB also holds investments in real estate companies where it exerts significant influence (20 – 50 per cent of voting shares). These are recorded at cost and adjusted for the WSIB's proportionate share of any net income or loss and dividends.

Significant accounting changes

Capital Disclosures and Financial Instruments - Disclosures and Presentation

On January 1, 2008, the WSIB adopted new CICA Handbook Sections:

Section 1535 requires the disclosure of the entity's objectives, policies and processes for managing capital.

Section 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Intangible Assets

On January 1, 2009, the WSIB adopted new CICA Handbook Section 3064. Section 3064 provides guidance for the recognition, measurement, presentation and disclosure of intangible assets.

Future changes in accounting policies - International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that a publicly accountable enterprise will be required to adopt IFRS. IFRS will replace current Canadian GAAP for those enterprises. IFRS will be effective for annual periods commencing January 1, 2011, including the preparation and reporting of one year of comparative figures. The WSIB is currently in the process of determining whether it is a publicly accountable enterprise as defined by the AcSB and evaluating the impacts and implications of conversion to IFRS.

The final decision on whether to convert to IFRS will depend on this assessment, as well as on guidance and direction from the Province of Ontario. In order to preserve the option of moving to IFRS, WSIB is engaged in a multi-stage process to permit transition by 2011 if required.

3. INVESTMENTS AND INVESTMENT REVENUE

Investment asset pooling:

On January 1, 2009 the WSIB and the WSIB's Employees Pension Plan (the "Plan") pooled all equity, bond and real estate investments held in WSIB investments and the plan (the participating funds) into four separate pooled funds. These funds were established to hold the equity, bond, real estate and other investment assets respectively. The equity, bond and other asset pools were set up as Trusts. The real estate pool was set up as a real estate holding company. The transfers were all made at the fair value existing at December 31, 2008.

The fair value of pension plan assets transferred into the pool is $1,412 million.

On the date of transfer WSIB owned 84 per cent of the equity Trust, 82 per cent of the bond Trust, 93 per cent of the real estate holding company and 100 per cent of the other asset Trust. On the basis that under the trust agreements WSIB has exclusive power and control of the pooled fund trusts and its substantial ownership, WSIB consolidates all four trusts for accounting purposes.

The Employee Pension Plan's share of investment assets is in the range of 10 to 12 per cent of each pooled trust and seven per cent of real estate corporations, these amounts are reflected as the Employees' Pension Plan interest in pooled investments in the financial statements.

The fair value of investments by category:

($ millions)	June 2009							Dec 2008
	Amortized cost	Carrying value adjustments	Unrealized: gains	Unrealized: losses	Carrying value	EPP*	WSIB	Carrying value
Held-for-trading:								
Foreign exchange contracts								
Domestic	$15	$2,555	$-	$-	$2,570	$278	$2,292	$(22)
Foreign – US	-	(1,667)	-	-	(1,667)	(180)	(1,487)	(104)
– Global	-	(957)	-	-	(957)	(104)	(853)	112
Total held-for-trading	15	(69)	-	-	(54)	(6)	(48)	(14)
Available-for-sale:								
Fixed income securities								
Bonds	4,685	-	169	(26)	4,828	545	4,283	4,312
Equities								
Domestic	1,935	16	435	-	2,386	256	2,130	1,849
Foreign – US	3,046	4	190	-	3,240	350	2,890	2,634
– Global	2,266	20	291	-	2,577	277	2,300	2,499
Real estate	184	32	124	(12)	328	31	297	267
	7,431	72	1,040	(12)	8,531	914	7,617	7,249
Total available-for-sale	12,116	72	1,209	(38)	13,359	1,459	11,900	11,561
Real estate entities subject to significant influence	371	-	-	-	371	40	331	381
LRI Annuities	59	-	-	-	59	-	59	59
Total investments	**$12,561**	**$3**	**$1,209**	**$(38)**	**$13,735**	**$1,493**	**$12,242**	**$11,987**

* Employees' Pension Plan interest in pooled investments

Revenue by category of investment:

	For the three months ended June 30		For the six months ended June 30	
($ millions)	**2009**	**2008**	**2009**	**2008**
Held-for-trading				
Foreign exchange contracts	$116	$-	$73	$(4)
Available-for-sale				
Bonds	73	56	148	116
Amortization	(4)	(3)	(10)	(7)
Equities	153	(189)	(559)	(292)
Real estate equities	4	15	7	24
	226	(121)	(414)	(159)
Real estate entities subject to significant influence	4	-	7	1
Short-term securities	2	3	3	5
	348	(118)	(331)	(157)
Investment expenses	(7)	(9)	(14)	(18)
Net investment revenue	**341**	**(127)**	**(345)**	**(175)**
Employees' Pension Plan interest in pooled investments	(35)	-	41	
Total investments	**$306**	**$(127)**	**$(304)**	**$(175)**

For the three months ended June 30:

Revenue from bonds includes $18 million (2008: $6 million) of net realized gains. Revenue from equities includes $89 million net realized gains (2008: $259 million realized losses) and real estate includes $1 million (2008: $12 million) of net realized gains. Revenue from foreign exchange contracts includes $173 million of net realized gains (2008: $5 million realized losses).

During the period, $39 million (2008: $212 million) was assessed as an other-than-temporary impairment and recognized as a reduction in investment income.

For the six months ended June 30:

Revenue from bonds includes $35 million (2008: $14 million) of net realized gains. Revenue from equities includes $680 million (2008: $416 million) of realized losses and real estate includes $1 million (2008: $12 million) of net realized gains. Revenue from foreign exchange contracts includes $126 million of net realized gains (2008: $14 realized loss).

During the period, $624 million (2008: $288 million) was assessed as an other-than-temporary impairment and recognized as a reduction in investment income. These assets were comprised of equity securities which had significant prolonged market losses which WSIB determined were other than temporary. The remaining unrealized losses on available-for-sale securities of $38 million (2008: $379 million) are not considered to be other-than-temporarily impaired as at June 30, 2009 and remain in accumulated other comprehensive income. These losses were considered not other than temporary as their amounts were either insignificant and/or short-term in nature and are securities in which WSIB has the intent and ability to hold to recover the temporary loss.

4. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The WSIB is responsible for investing the funds of the Insurance Fund and Loss of Retirement Income Fund (LRI Fund) and Employees' Pension Plan. These responsibilities are carried out through strategic and other investment policies that govern how the Funds are to be invested and how the investment performance and compliance of the Funds is to be monitored and evaluated. A statement of investment policies and procedures (SIPP) is reviewed and presented to the Board of Directors for approval.

Risk is inherent in the generating of investment returns in excess of the risk-free rate (i.e., three-month Government of Canada treasury bills) and in each element of the investment decision-making process; hence risk measurement and risk management are integral to the asset management program.

The significant risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and price). The following sections describe how the WSIB manages each of these financial instrument risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk also includes concentration risk. The WSIB mitigates these portfolio credit risks through comprehensive due diligence and diversification.

i) Asset Quality

Asset quality is an assessment of the financial liquidity of the investment and the ability of the issuer to meet current and future contractual obligations. The WSIB fixed income investments consist primarily of high quality investment grade debt instruments. An investment grade bond is one that is rated BBB and above.

The following table highlights the bond ratings for fixed income securities as at June 30, 2009.

($ millions)				
Bond rating	**WSIB**	**EPP***	**Fair value**	**%**
AAA	$1,701	$217	$1,918	39.7
AA	1,335	170	1,505	31.2
A	1,040	132	1,172	24.3
BBB	207	26	233	4.8
Total	**$4,283**	**$545**	**$4,828**	**100.0**

* Employees' Pension Plan interest in pooled investments

The WSIB manages counterparty risk through due diligence process by selecting multiple highly rated counterparties and by setting counterparty exposure limits, requiring active currency managers to use a continuous linked settlement service and establishing a preapproved qualified borrower list. In addition, the WSIB mitigates security lending counterparty risk by requiring daily marking-to-market to maintain full collateralization with additional margin for safety. Loans are secured by high quality collateral which comprises primarily of government bonds (99 per cent) and major bank short-term notes (one per cent).

The WSIB monitors its exposure on an ongoing basis.

ii) Concentration Risk

Concentration risk arises from the exposure of investments in one particular issuer, a group of issuers, a geographic region or a sector. The WSIB manages these risks through limits on exposure to regions and sectors and limits on underlying securities. As such, not more than five per cent of the market value of investment assets is invested in the securities of a single issuer. The WSIB's fixed income is derived from indexed portfolios and none of the index constituents is more than three per cent of the index.

The following table highlights the fair value of fixed income securities by sector as at June 30, 2009.

($ millions) Fixed income sector	WSIB	EPP*	Fair value	%
Asset backed securities	$64	$8	$72	1.5
Financial services	678	86	764	15.8
Communications and publishing	26	3	29	0.6
Consumer products and merchandising	28	4	32	0.7
Federal government and agency	1,374	175	1,549	32
Industrial products	3	1	4	0.1
Natural resources	25	3	28	0.6
Other corporates	175	22	197	4.1
Utilities and telecommunications	239	30	269	5.6
Provincials and municipal	1,650	210	1,860	38.5
Real estate	21	3	24	0.5
Total	**$4,283**	**$545**	**$4,828**	**100.0**

* Employees' Pension Plan interest in pooled investments

Liquidity Risk

Liquidity risk or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The WSIB mitigates this risk by investing 95 per cent of its insurance assets in readily marketable, publicly traded equity and fixed income securities. The remaining investment assets are invested in quality real estate investments in commercial properties in major markets which provide steady cash flows.

The following outlines the carrying values of financial assets by contractual maturity or expected cash flow.

($ millions)	1yr	2-5 yrs	6-10 yrs	> 10 yrs	No fixed maturity	Total	EPP*	WSIB
Assets:								
Cash and cash equivalents	$28	$-	$-	$-	$-	$28	$-	$28
Receivables	1,004	-	-		-	1,004	-	1,004
Foreign exchange contracts	(54)	-	-	-	-	(54)	(6)	(48)
Bonds	71	2,330	1,073	1,354	-	4,828	545	4,283
Equities and real estate	110	-	-	-	8,792	8,902	954	7,948
LRI Annuities	-	-	-	-	59	59	-	59
Total	**$1,159**	**$2,330**	**$1,073**	**$1,354**	**$8,851**	**$14,767**	**$1,493**	**$13,274**

* Employees' Pension Plan interest in pooled investments

Market Risk

There are three types of market risk:

i) Foreign Currency Risk

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates as compared to the Canadian dollar. The WSIB uses foreign exchange contracts as an additional source of return and to hedge currency volatility.

Below is a sensitivity analysis of the effect of a fluctuation in the Canadian dollar of +/- 1 per cent against the five major currency positions assuming hedging is in place (actual market fluctuations could differ significantly from the sensitivity analysis presented).

($ millions) Currency	WSIB	EPP*	Total fair value exposure	+/- 1%
US dollar	$1,404	$169	$1,573	$16
British pound sterling	318	38	356	4
Euro	315	38	353	3
Japanese yen	220	26	246	2
Australian Dollar	165	21	186	2
Total	**$2,422**	**$292**	**$2,714**	**$27**

* Employees' Pension Plan interest in pooled investments

ii) Interest Rate Risk

Interest rate risk is the potential for financial loss arising from changes in interest rates.

The WSIB reviews interest rate risk through periodic asset liability analyses which assess the impact of different interest rate scenarios on asset and liabilities of the Insurance Fund over a period of time. Interest rate risk is mitigated primarily through asset allocation which aims to cover interest rate risk over the long term.

The WSIB uses Option Adjusted Modified Duration to measure the sensitivity of the price of a fixed income instrument to a change in interest rates. A parallel shift in the yield curve of +/- 1% would result in an impact on the fair value of the bond portfolio of approximately $287 million, with all other variables held constant. Actual results may differ materially from this sensitivity analysis.

iii) Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The WSIB mitigates price risk by diversification of its investment portfolios. The assets of the Fund are diversified by combining different sources of return across and within asset classes and investment strategies.

The estimated effect on net assets due to a 10 per cent change in market indices holding all other factors constant would be as follows (actual market fluctuations could differ significantly from the sensitivity analysis presented):

($ millions) Market Indices	Fair Value	Change in price	Effect on net assets
S&P/TSX	$2,138	+/- 10%	$214
S&P 500/NYSE	2,829	+/- 10%	283
MSCI world	3,166	+/- 10%	316
Total	**$8,133**		**$813**
Employees' Pension Plan interest in pooled investments	$ 883	+/- 10%	$88

5. INTANGIBLE ASSETS

Intangible assets include the following:

($ millions)	2009			2008
	Cost	Accumulated amortization	Net carrying value	Net carrying value
Computer software	$61	$(57)	$4	$5
Computer software under development	92	-	92	77
	$153	**$(57)**	**$96**	$82

Amortization expenses:

	For the three months ended June 30		For the six months ended June 30	
($ millions)	**2009**	**2008**	**2009**	**2008**
Computer software	$0.2	$0.3	$0.3	$0.5

Computer software is amortized on a straight line basis over periods of three to five years with no residual value.

6. EMPLOYEE BENEFIT PLANS

The WSIB has several benefit plans for eligible current and retired employees. The cost of employee benefit plans is recognized in the reporting period in which employees have provided service.

Pension and other benefit plans

The WSIB has two pension plans for its employees and employees of Safe Workplace Associations, the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

Other benefits include medical, dental and life insurance, accrued vacation, short-term salary protection to cover periods of illness and other absences, as well as, the costs of insurance benefits provided to employees who sustain injuries in the course of employment.

The most recent actuarial valuation for funding purposes was performed as of December 31, 2007. The total net benefit plan expenses are as follows:

	For the three months ended June 30		For the six months ended June 30	
($ millions)	**2009**	**2008**	**2009**	**2008**
Employees' pension plan	$2.0	$4.4	$4.0	$8.9
Employees' supplementary pension plan	0.2	0.3	0.5	0.5
Other benefit plans	9.6	11.1	19.1	22.4
Total plan expenses	**$11.8**	**$15.8**	**$23.6**	**$31.8**

7. CAPITAL MANAGEMENT

The WSIB is required by legislation to maintain its investments at a level sufficient to make the required payments under the insurance plan as they become due. In keeping with this requirement, the WSIB's strategic objectives include the overarching goal of ensuring that the workplace safety and insurance system remains financially sustainable for future generations.

The table below shows the WSIB's current funded status:

($ millions)	June 30, 2009	December 31, 2008
WSIB assets*	$13,488	$13,207
WSIB liabilities	$25,454	$24,676
Funding ratio	53.0%	53.5%

* Total assets less $1,493 million (2008: $0) Employees' Pension Plan interest in pooled investments

WSIB ONTARIO CSPAAT

Workplace Safety & Insurance Board

Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

ROAD TO ZERO